



SECURITIES AND EACHANGE COMMISSION Washington, D.C. 20549

ろ OMB APPROVAL

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PART III

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SEC FILE NUMBER

**8-** 26406

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 174-5 Thereunder

| REPORT FOR THE PERIOD BEGINNING                              | 07/01/03                          | AND ENDING   | 12/31/03                      |
|--|-----------------------------------|--|-------------------------------|
|  | MM/DD/YY                          |  | MM/DD/YY                      |
| A. REC   | GISTRANT IDENTIF                  | TICATION   |                               |
| NAME OF BROKER-DEALER:                                       |                                   |  | OFFICIAL USE ONLY             |
| Cabrera Capital Market:<br>ADDRESS OF PRINCIPAL PLACE OF BUS |                                   | Box No.)   | FIRM I.D. NO.                 |
| 208 N. LaSalle Street,                                       | Suite 1230                        | M. Commercial Commerci | Chi South                     |
|  | (No. and Street)                  |  |                               |
| Chicago,   | Illinois                          |  | 60604                         |
| (City)   | (State)                           |  | (Zip Code)                    |
| NAME AND TELEPHONE NUMBER OF PE<br>Martin Cabrera, Jr.       | ERSON TO CONTACT IN               |  | PORT<br>2) 236-8888           |
|  |                                   |  | (Area Code - Telephone Number |
| B. ACC   | OUNTANT IDENTII                   | FICATION   |                               |
| Dooley, Bradford R., C                                       | PA                                |  |                               |
|  | (Name - if individual, state lass | 1, first, middle name)   |                               |
| 220 S. State Street,   | Chicago,                          | Illinois   | 60604                         |
| (Address)  | (City)                            | (State)  | (Zip Code)                    |
| CHECK ONE:   |                                   |  |                               |
| ☑ Certified Public Accountant                                |                                   |  | PROCESSED PROCESSED           |
| ☐ Public Accountant  |                                   | 1  | MAR 2 9 2004                  |
| ☐ Accountant not resident in Unit                            | ed States or any of its pos       | sessions.  | THOMSON                       |
|  | FOR OFFICIAL USE                  | ONLY   | PINANCIAL                     |
|  | <del> </del>                      |  |                               |
|  |                                   |  |                               |
|  |                                   |  |                               |

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1410 (06-02)

NAMES OF THE PROPERTY OF THE P

### OATH OR AFFIRMATION

| I, Robert Libertin  | i                           | , swear (or affirm) that, to the best of   |
|---|-----------------------------|--|
| my knowledge and belief the accompan  | ying financial statement an | d supporting schedules pertaining to the firm of   |
| Cabrera Capita  | Markets, Inc.               | , as   |
| of <u>December 31</u>   | , 20 <u>03</u>              | _, are true and correct. I further swear (or affirm) that                                    |
| neither the company nor any partner, p  | oprietor, principal officer | or director has any proprietary interest in any account                                      |
| classified solely as that of a customer, e  | xcept as follows:           |  |
| 27  |                             |  |
| None  | <del> </del>                |  |
|   |                             |  |
|   |                             |  |
|   | ·                           | VA LA  |
|   |                             | COVURT X WITHING   |
| Sworn and subscribed to me  |                             | Signature  |
| 27 day of February, 2004  |                             | Digitature   |
|   | _ <u>_v</u>                 | ice President  |
| 11 0 11   |                             | Title  |
| Hime Sames  |                             | 020000000000000000000000000000000000000  |
| Notary Public   | -                           | OFFICIAL SEAL"   |
| •   |                             | GISSEL GOMEZ   |
| This report ** contains (check all applices (a) Facing Page.                                    | able boxes):                | NOTARY PUBLIC, STATE OF ILLINOIS MY COMMISSION EXPIRES 9/23/2006                             |
| <ul><li>(a) Facing Page.</li><li>(b) Statement of Financial Condition</li></ul>                 | n                           | CAPACES 9/23/2006  |
| (c) Statement of Income (Loss).   |                             |  |
| (d) Statement of Changes in Pinan   |                             |  |
| (e) Statement of Changes in Stockl  (f) Statement of Changes in Liabil                          |                             | •  |
| <ul> <li>(f) Statement of Changes in Liabil</li> <li>(g) Computation of Net Capital.</li> </ul> | les Subordinated to Claims  | s of Creditors.  |
| (h) Computation for Determination   | of Reserve Requirements I   | Pursuant to Rule 15c3-3.   |
| (i) Information Relating to the Pos   |                             |  |
|   |                             | Computation of Net Capital Under Rule 15c3-3 and the   |
|   |                             | its Under Exhibit A of Rule 15c3-3.  nents of Financial Condition with respect to methods of |
| consolidation.  | , und undditted States      | none of I maketer condition with respect to methods of                                       |
| (1) An Oath or Affirmation.   | •                           |  |
| (m) A copy of the SIPC Supplemen  |                             | 6 1. 1   |
| (n) A report describing any material  | inadequacies found to exist | or found to have existed since the date of the previous audit                                |

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

## CABRERA CAPITAL MARKETS, INC.

# **FINANCIAL STATEMENTS**

**DECEMBER 31, 2003** 

(FILED PURSUANT TO RULE 17a-5(d)

UNDER THE SECURITIES EXCHANGE ACT

OF 1934)

### BRADFORD R. DOOLEY & ASSOCIATES

Accountants and Auditors

220 SOUTH STATE STREET - SUITE 1910

CHICAGO, ILLINOIS 60604

Member American institute of Certified public accountants

ILLINOIS CPA SOCIETY

TELEPHONE (312) 939-0477 FAX (312) 939-8739

### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors Cabrera Capital Markets, Inc. Chicago, Illinois 60604

I have audited the accompanying statement of financial condition of Cabrera Capital Markets, Inc. as of December 31, 2003, and the related statements of income, changes in stockholder's equity and cash flows for the six months then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cabrera Capital Markets, Inc. as of December 31, 2003, and the results of its operations and cash flows for the six months then ended, in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountant

Chicago, Illinois February 27, 2004

## CABRERA CAPITAL MARKETS, INC. STATEMENT OF FINANCIAL CONDITION **DECEMBER 31, 2003**

| <u>AS</u>                                    | SSETS              |           |                |
|--|--------------------|-----------|----------------|
| Cash and cash equivalents                    |                    | \$        | 42,286         |
| Commissions & fees receivable                |                    |           | 353,007        |
| Deposit with broker/dealer                   |                    |           | 135,000        |
| Note receivable – shareholder<br>Prepaid tax |                    |           | 52,000         |
| Property, plant and equipment, net of \$71   |                    |           | 1,750          |
| of depreciation                              |                    |           | 4,175          |
|  |                    | _         | 19215          |
| Total assets                                 |                    | <u>\$</u> | <u>588,218</u> |
| LIABILITIES AND ST                           | OCKHOLDER'S EQUITY |           |                |
| <u>Liabilities</u>                           |                    |           |                |
| Accounts payable and accrued expenses        |                    | <u>\$</u> | 271,225        |
| Total liabilities                            |                    |           | 271,225        |
| Stockholder's Equity                         |                    |           |                |
| Common stock, \$1 par value; authorized      |                    |           |                |
| 56,000 shares; issued and outstanding        |                    |           |                |
| 35,000 shares                                | \$ 35,000          |           |                |
| Additional paid in capital                   | 231,090            |           |                |
| Retained earnings                            | 50,903             |           |                |
| Total stockholder's equity                   |                    |           | 316,993        |
| Total liabilities and stockholder's equity   |                    | <u>\$</u> | 588,218        |

The accompanying notes to the financial statements are an integral part of this statement.

# CABRERA CAPITAL MARKETS, INC. STATEMENT OF INCOME FOR THE SIX MONTHS ENDED DECEMBER 31, 2003

| Revenues                       |                |              |
|--------------------------------|----------------|--------------|
| Trading income                 | \$ 213,058     |              |
| Commissions and fees           | 1,109,234      |              |
| Interest income                | 569            |              |
| Other                          | 2,864          |              |
| Total revenue                  |                | \$ 1,325,725 |
| Expenses                       |                |              |
| Commissions expense            | 299,505        |              |
| Clearing and execution charges | 81,326         |              |
| Management fees                | 740,613        |              |
| Other operating expenses       | <u>189,358</u> |              |
| Total operating expenses       |                | 1,310,832    |
| Net income                     |                | \$ 14,893    |

# CABRERA CAPITAL MARKETS, INC. STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY FOR THE SIX MONTHS ENDED DECEMBER 31, 2003

|  | Common<br>Stock | Additional<br>Paid In<br>Capital |    | Retained<br>Earnings |           | Total<br>ockholder's<br>Equity |
|--|-----------------|----------------------------------|----|----------------------|-----------|--------------------------------|
| Balance, June 30, 2003 as previously reported              | \$ 35,000       | \$ 231,090                       | \$ | 129,325              | \$        | 395,415                        |
| Less: Client's additional accrual of management fees       |                 |                                  |    | (180,000)            |           | (180,000)                      |
| Add: Client's reduced tax accrual                          |                 |                                  | _  | 86,685               |           | 86,685                         |
| Balance, June 30, 2003, as restated                        | 35,000          | 231,090                          |    | 36,010               |           | 302,100                        |
| Add: Net income for the six months ended December 31, 2003 |                 |                                  |    | 14,893               |           | 14,893                         |
| Balance, December 31, 2003                                 | \$ 35,000       | <u>\$ 231,090</u>                | \$ | 50,903               | <u>\$</u> | <u>316,993</u>                 |

The accompanying notes to the financial statements are an integral part of this statement.

# CABRERA CAPITAL MARKETS, INC. STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED DECEMBER 31, 2003

| Cash Flows From (To) Operating Activities: |           |                  |
|--|-----------|------------------|
| Net income                                 | \$ 14,893 |                  |
| Depreciation                               | 71        |                  |
| Changes in assets and liabilities:         |           |                  |
| Commissions and fees receivable            | 165,519   |                  |
| Deposit with broker/dealer                 | (34,854)  |                  |
| Prepaid taxes                              | (1,750)   |                  |
| Accounts payable and accrued expenses      | 257,785   |                  |
| Income taxes payable                       | (9,555)   |                  |
| Net cash from (to) operating activities    |           | \$ 392,109       |
| Cash Flows From (To) Investing Activities: |           |                  |
| Purchases of equipment                     | (4,246)   |                  |
| Net cash from (to) investing activities    |           | (4,246)          |
| Cash Flows From (To) Financing Activities: |           |                  |
| Decease in payable to affiliated company   | (330,000) |                  |
| Increase in note receivable – shareholder  | (52,000)  |                  |
| Net cash from (to) financing activities    |           | (382,000)        |
| Net increase (decrease) in cash            |           | 5,863            |
| Cash at June 30, 2003                      |           | 36,423           |
| Cash at December 31, 2003                  |           | <u>\$ 42,286</u> |

## **Supplemental Information:**

During the six months ended December 31, 2003, the following amounts were paid:

Interest expense

<u>\$ 7,307</u>

Income taxes

\$ 11,305

The accompanying notes to the financial statements are an integral part of this statement.

### CABRERA CAPITAL MARKETS, INC. NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2003

### (1) ORGANIZATION AND GENERAL

Cabrera Capital Markets, Inc., was incorporated in the State of Illinois on April 24, 2003. The Company is registered with the Securities and Exchange Commission and is a member of the National Association of Securities Dealers, Inc. The Company's principal business is the sale of securities and participation in underwritings.

Prior to April 24, 2003, the Company was a wholly owned subsidiary of Cabrera Capital Management, Inc. and was incorporated in the State of Wisconsin on September 5, 1986.

Effective May 1, 2001, in conjunction with an ownership change, the name of the Corporation was changed from First Securities Corporation to Cabrera Capital Markets, Inc.

### (2) <u>SIGNIFICANT ACCOUNTING POLICIES</u>

A summary of significant accounting policies which have been followed by Cabrera Capital Markets, Inc. in preparing the accompanying financial statements is set forth below.

### **Basis of Presentation**

These financial statements are presented for the six month period from July 1, 2003 through December 31, 2003, pursuant to a request of the NASD to convert to a calendar year end of December 31.

#### **Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents.

### **Property and Equipment**

Property and equipment are stated at cost and depreciated using the straight line method over the estimated useful lives of the assets.

## CABRERA CAPITAL MARKETS, INC. NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2003

# (2) <u>SIGNIFICANT ACCOUNTING POLICIES</u> (Continued) <u>Income Recognition</u>

Securities transactions and related revenue and expense, other than the sale of direct participation programs are recorded on a trade date basis. Revenue derived from underwritings and direct participation programs (on contingent offerings) is recognized at the time the escrow agent distributes sales commissions to the Company.

### **Income Taxes**

Effective July 1, 2003, the Company has elected to be taxed under Subchapter S of the Internal Revenue Code. Accordingly, the taxable income or loss of the Company is allocated to the shareholders, who are responsible for taxes thereon. The Company will be subject to State of Illinois replacement tax.

### (3) CLEARING AGREEMENT WITH OFF-BALANCE SHEET RISK

Clearing Agreement – the Company has entered into an agreement with another broker/dealer (Clearing Broker/Dealer) whereby that broker/dealer will execute and clear securities transactions for the Company on a fully disclosed basis. Under the terms of the agreement, the Company is prohibited from entering into a similar agreement with another broker/dealer while this agreement is in effect. The Company has also agreed to regulatory arbitration and waived its right to court remedies regarding disputes between the Company and the clearing broker/dealer. The Company has deposited \$135,000 with the clearing broker/dealer to assure the Company's performance under the agreement.

The Company is obligated for nonperformance by customers it has introduced to the clearing broker. The Company actively monitors its exposure under this obligation by requesting substantiation of its customers' activities from the clearing broker on a daily basis. No such nonperformance by a customer, based on refusal or inability to fulfill its obligation, occurred during the period ended December 31, 2003.

### (4) RELATED PARTY TRANSACTIONS

The Company was formerly wholly owned by Cabrera Capital Management, Inc.(Former Parent) Pursuant to a written agreement, the Former Parent Company provides office space, administrative assistance, clerical help and various other general administration support services to the Company.

During the six months ended December 31, 2003, the Company paid \$740,643 of management fees to the Former Parent Company. No amounts were outstanding to the Former Parent Company at December 31, 2003.

During the year ended June 30, 2003, the Former Parent Company contributed \$80,000 of additional paid in capital to the Company.

# CABRERA CAPITAL MARKETS, INC. NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2003

### (5) <u>NET CAPITAL REQUIREMENTS</u>

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1). Under this rule, the Company is required to maintain "net capital" equivalent to \$100,000 or 6 2/3% of "aggregate indebtedness", whichever is greater as these terms are defined.

Net Capital and aggregate indebtedness change from day to day, but at December 31, 2003, the Company had net capital and net capital requirements of \$258,803 and \$100,000 respectively. The net capital rule may effectively restrict the payment of cash distributions.

### (6) ADDITIONAL PAID IN CAPITAL

Pursuant to the terms of the ownership on May 1, 2001, change, the former owners received distributions of the amount of tangible assets owned at the date of the closing.

In order to maintain the required net capital referred to in Note 5, the Former Parent Company contributed \$151,090 as additional paid in capital for the period of April 28, 2001 through June 30, 2002.

In addition, the Former Parent Company contributed \$80,000 as additional paid in capital during January, 2003.

SUPPLEMENTARY SCHEDULES

# FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT PART IIA

| BRO   | KER OR DEALER Cabrera Capital Markets, Inc.  | as of       | 12/31/03                               | <del></del> |
|-------|--|-------------|--|-------------|
|       | COMPUTATION OF NET CAPITAL   |             |  |             |
| 1. 7  | Total ownership equity from Statement of Financial Condition                                       |             | \$ 316,993                             | 3480        |
| 2. [  | Deduct ownership equity not allowable for Net Capital  | 15          | /g <u>(</u>                            | 1 3490      |
| 3. T  | Fotal ownership equity qualified for Net Capital   |             | 316,993                                | 3500        |
| 4. A  |  |             |  | (3500       |
|       | A. Liabilities subordinated to claims of general creditors allowable in computation of net capital |             |  | 3520        |
|       | 3. Other (deductions) or allowable credits (List)  |             | 216 000                                | 3525        |
|       | otal capital and allowable subordinated liabilities  |             | 316,993                                | 3530        |
|       | Deductions and/or charges:   | 0540        |  |             |
|       | Total nonallowable assets from Statement of Financial Condition (Notes B and C) \$ 58,190          | 3540        |  |             |
|       | S. Secured demand note deficiency  | 3590        |  |             |
| С     | C. Commodity futures contracts and spot commodities-   |             |  |             |
|       | proprietary capital charges  | 3600        | ,                                      | V           |
|       | Other deductions and/or charges  | 3610        | 58,190                                 | ) 3620      |
|       | Other additions and/or allowable credits (List)  |             |  | 3630        |
| 8. N  | et capital before haircuts on securities positions   |             | 258,803                                | 3640        |
| 9. H  | aircuts on securities (computed, where applicable,   |             |  |             |
|       | pursuant to 15c3-1 (f)):   | ميسب        |  |             |
|       | . Contractual securities commitments   | 3660        |  |             |
| В.    | . Subordinated securities borrowings   | 3670        |  |             |
| C.    | . Trading and investment securities:   |             |  |             |
|       | 1. Exempted securities   | 3735        |  |             |
|       | 2. Debt securities   | 3733        |  |             |
|       | 3. Options   | 3730        |  |             |
|       | 4. Other securities  | 3734        |  |             |
| D.    | . Undue Concentration  | 3650        |  |             |
| Ε.    | Other (List)   | 3736        | (                                      | 3740        |
| 0. Ne | et Capital   | \$          | 258,803                                | 3750        |
|       | A reconciliation between the above audited computat  | ion         | ON                                     | IIT PENNIE  |
|       | and the Company's corresponding unaudited filing is as fol   |             |  |             |
|       | Net capital per unaudited filing   | \$          | 377,236                                |             |
|       | Reduction in fees receivable   |             | (65,633)                               |             |
|       | Reclassify note receivable shareholder   |             | (52,000)                               |             |
|       | Increase in cash   |             | 2,175                                  |             |
|       | Reduction in accounts payable  |             | 3,021                                  |             |
|       | Reclassify as nonallowable:  |             |  |             |
|       | Property and equipment   |             | (4,246)                                |             |
|       | Prepaid taxes  |             | (1,750)                                |             |
|       | •  | <del></del> | ······································ |             |
|       | Net capital per audited filing   | \$          | 258,803                                |             |
|       |  |             |  |             |

See Auditor's Report.

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

| BROKER OR DEALER | Cabrera Capital Markets, | Inc. | as of 12/31/03 |
|------------------|--------------------------|------|----------------|
|                  | 1                        |      |                |

### COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

#### Part A

| 11. | Minimum net capital required (6-2/3% of line 19)   | 18,082  | 3756 |
|-----|--|---------|------|
| 12. | Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement |         |      |
|     | of subsidiaries computed in accordance with Note (A)   | 100,000 | 3758 |
| 13. | Net capital requirement (greater of line 11 or 12)\$   | 100 000 | 3760 |
| 14. | Excess net capital (line 10 less 13)   | 158,803 | 3770 |
| 15. | Excess net capital at 1000% (line 10 less 10% of line 19)  | 231,680 | 3780 |

### COMPUTATION OF AGGREGATE INDEBTEDNESS

| 16. | Total A.I. liabilities from Statement of Financial Condition                        | \$ | 271,225 | 3790 |
|-----|---|----|---------|------|
| 17. | Add:  | _  |         |      |
|     | A. Drafts for immediate credit  | }  |         |      |
|     | B. Market value of securities borrowed for which no equivalent                      | _  |         |      |
|     | value is paid or credited   |    |         |      |
|     | C. Other unrecorded amounts (List)\$  | \$ |         | 3830 |
| 19. | Total aggregate indebtedness  | \$ | 271,225 | 3840 |
|     | Percentage of aggregate indebtedness to net capital (line 19÷by line 10)            |    | 105     | 3850 |
| 21. | Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d) | %  |         | 3860 |

### COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

#### Part B

| 22. | 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule |      |
|-----|--|------|
|     | 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers    |      |
|     | and consolidated subsidiaries' debits  | 3870 |
| 23. | Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital       |      |
|     | requirement of subsidiaries computed in accordance with Note (A)                                   | 3880 |
| 24. | Net capital requirement (greater of line 22 or 23)\$   | 3760 |
| 25. | Excess net capital (line 10 less 24)   | 3910 |
| 26. | Net capital in excess of:  | ···  |
|     | 5% of combined aggregate debit items or \$120,000  | 3920 |
|     |  |      |

There are no material modifications between this computation of aggregate indebtedness and the Company's unaudited filing.

OMIT PENNIES

#### NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
  - 1. Minimum dollar net capital requirement, or
  - 2. 6-2/3% of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

See Auditor's Report.

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

|   | BROKER OR DEALE  | R Cabrera Capital Mai   | kets, Inc.                             |  | as of <u>December</u>                         | 31, 2003                             |
|---|--|---|--|--|---|--------------------------------------|
| ١   |  | Exempli   | ve Provision Unde                      | er Rule 15c3-3   |   |                                      |
| 25.   | ·  | Rule 15c3-3 is claimed, identify below the  | section upon                           |  |   |                                      |
|   | · ·  | on is based (check one only) pital category as per Rule 15c3-1                          |  |  |   | 4550                                 |
|   |  | al Account for the Exclusive Benefit of   |  |  |   |                                      |
|   |  | aintained   | *                                      |  |   | 4560                                 |
|   |  | tomer transactions cleared through anoth  |  |  |   | _                                    |
|   | _  | on a fully disclosed basis. Name of clea  | aring                                  |  | 4335 ×  | 4570                                 |
|   | <del></del>  | First Southwest Company by order of the Commission                                      |  |  |   | 4580                                 |
|   |  | Ownership Equity and Subs<br>withdrawn within the next of<br>which have not been deduce | six months and ac                      | cruals, (as defined below  |   |                                      |
|   | Type of Proposed withdrawal or Accrual See below for code to enter | Name of Lender or Contributor   | Insider or<br>Outsider?<br>(In or Out) | Amount to be With-<br>drawn (cash amount<br>and/or Net Capital<br>Value of Securities) | (MMDDYY)<br>Withdrawal or<br>Maturity<br>Date | Expect<br>to<br>Renew<br>(yes or no) |
| <b>▼</b>                                      | 4600   | 4601  | 4602                                   | 4603   | 4604  | 4605                                 |
| ¥<br>11                                       | 4610   | 4611  | 4612                                   | 4613   | 4614  | 4615                                 |
| ¥<br>14                                       | 4620   | 4621  | 4622                                   | 4623   | 4624  | 4625                                 |
| ¥<br>15                                       | 4630   | 4631  | 4632                                   | 4633   | 4634  | 4635                                 |
| <b>V</b>                                      | 4640   | 4641  | 4642                                   | 4643   | 4644  | 4645                                 |
| <b>Y</b>                                      | 4650   | 4651  | 4652                                   | 4653   | 4654  | 4655                                 |
| <b>Y</b>                                      | 4660   | 4661  | 4662                                   | 4663   | 4664  | 4665                                 |
| <u>,                                     </u> | 4670   | 4671  | 4672                                   | 4673   | 4674  | 4675                                 |
|   | 4680   | 4681  | 4682                                   | 4683   | 4684  | 4685                                 |
| <u>,</u>                                      | 4690   | 4691  | 4692                                   | 4693   | 4694  | 4695                                 |
|   |  |   | TOTAL \$                               | 4699<br>OMIT PENNIES   |   |                                      |
|   |  |   |  | OMIT PERMITES  |   |                                      |

Instructions: Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

WITHDRAWAL CODE: DESCRIPTION

- 1. Equity Capital
- 2. Subordinated Liabilities
- Accruals
- 4. 15c3-1(c)(2)(iv) Liabilities

See Auditor's Report.

### BRADFORD R. DOOLEY & ASSOCIATES

Accountants and Auditors

220 SOUTH STATE STREET - SUITE 1910

CHICAGO, ILLINOIS 60604

Member

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
ILLINOIS CPA SOCIETY

TELEPHONE (312) 939-0477 FAX (312) 939-8739

To the Board of Directors Cabrera Capital Markets, Inc.

In planning and performing my audit of the financial statements of Cabrera Capital Markets, Inc.. for the six months ended December 31, 2003, I considered its internal control structure, including procedures for safeguarding securities in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission, I have made as study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Cabrera Capital Markets, Inc. that I considered relevant to the objectives stated in rule 17a-5(g), in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of rule 15c3-3. I did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements of prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's abovementioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I noted that the Company increased the amount of management fees payable to an affiliated company by \$180,000 relating to the prior fiscal year June 30, 2003. This amount, as reduced by the corresponding reduction in income taxes payable resulted in a reduction in equity of \$93,315. This indicates a weakness in the Company's ability to timely and accurately report operating expenses and corresponding liabilities in their accounting records. This condition could result in inaccurate computations of net capital and aggregate indebtedness pursuant to SEC Rule 15c3-1.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on my study, I believe that the Company's practices and procedures were adequate at December 31, 2003 to meet the Commission's objectives as modified in the note above.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

Certified Public Accountant

Chicago, Illinois February 27, 2004